

**CMFB opinion  
on the amendment of the  
Eurostat Manual on Government Deficit and Debt, 2022 edition**

1. At Eurostat's request, the CMFB Chair, with the assistance of the CMFB Executive Body, asked the CMFB Members on 8 November 2022 to state their opinion on the amendment of six chapters and the introduction of three new chapters in the forthcoming Manual on Government Debt and Deficit (MGDD) – edition 2022. The CMFB consultation was sought by Eurostat following the provisions of Article 8.2 of Council Regulation (EC) No 479/2009, as amended. The deadline for replies was 21 November 2022.
2. The discussion concerning the organisation of this CMFB consultation took place during the plenary meeting of the Committee in June 2022. Eurostat sent a formal request for the consultation to the CMFB Chair on 13 October 2022. It was decided to consult the CMFB on nine (six revised and three new) chapters.

Revised chapters:

- 1.6.2 Special purpose entities,
- 3.6 Impact on government accounts of transfer of pension obligations,
- 4.5 Government interventions to support financial institutions: financial bailouts and defeasance,
- 4.7 Capital increases in Multilateral Development Banks,
- 6.5 EU Emission Trading System (ETS) allowances/ permits,
- 7.4 Government guarantees.

New chapters:

- 3.5 Capital injections into a foreign direct investment,
- 4.6 Securitisation of NPLs with government guarantees,
- 4.8 Recording of loans not expected to be fully repaid.

All the chapters proposed for the CMFB consultation deal with cross-domain issues that are relevant for the Monetary, Financial and/or the Balance of Payments statistics.

3. The written procedure has been conducted for each of these nine chapters using a “yes/no/ /no-opinion” reply structure and in accordance with the CMFB Rules of Procedure for consultations about the statistics underlying the Excessive Deficit Procedure. Comments to each chapter were invited and CMFB members were encouraged not only to vote, but also to provide comments and suggestions for the further improvement of the chapters and state concerns/objections (especially if voted “no”) as well as supporting arguments.

4. Twenty-seven (27) national statistical institutes and twenty-five (25) national central banks from EU Member States and the ECB returned the questionnaire within the specified deadline.
5. In accordance with the aforementioned CMFB Rules of Procedure, the CMFB opinion is based on the views expressed for each of these nine items, disregarding no-opinions and non-responses. The summary of opinions is as follows:
  - Four chapters received support from a very large majority of effective answers:
    - 3.5 Capital injections into foreign direct investment,
    - 3.6 Impact on government accounts of transfer of pension obligations,
    - 4.7 Capital increases in Multilateral Development Banks and
    - 6.5 EU Emission Trading System (ETS) allowances/ permits.
  - Three chapters received support from a large majority of effective answers:
    - 1.6.2 Special Purpose Entities,
    - 4.8 Recording of loans not expected to be fully repaid at inception,
    - 7.4 Government guarantees.
  - Two chapters received support from a majority of effective answers:
    - 4.5 Government interventions to support financial institutions: financial bailouts and defeasance,
    - 4.6 Securitisation of Non-Performing Loans with government guarantees.

See the table below for further details per chapter.

6. The CMFB, based on this majority view, therefore recommends adopting the 6 amended chapters and 3 new chapters in the 2022 MGDD edition as proposed.
7. A number of CMFB members additionally provided comments, suggestions, and sometimes concerns on specific chapters. These may be taken into account by Eurostat in finalising the chapters for publication. A short summary is attached in the Annex. In addition to this opinion, all the individual but anonymised replies were transmitted to Eurostat and CMFB Members and will be kept in the records of the CMFB secretariat.

(Signed)

Gerard J. Eding

CMFB Chair

The Hague, 30 November 2022

## Summary of opinions (including ECB)

(Percentage shares excluding “no-opinion”, in italics)

Question	Total answers	Effective answers	Yes	No	No-opinion
1. Do you agree with the proposed MGDD chapter 1.6.2 Special purpose entities?	53	51	43	8	2
		<i>100%</i>	<i>84,3%</i>	<i>15,7%</i>	
2. Do you agree with the proposed MGDD chapter 3.5 Capital injections into foreign direct investment?	53	52	51	1	1
		<i>100%</i>	<i>98,1%</i>	<i>1,9%</i>	
3. Do you agree with the proposed MGDD chapter 3.6 Impact on government accounts of transfer of pension obligations?	53	51	51	0	2
		<i>100%</i>	<i>100,0%</i>	<i>0%</i>	
4. Do you agree with the proposed MGDD chapter 4.5 Government interventions to support financial institutions: financial bailouts and defeasance?	53	50	30	20	3
		<i>100%</i>	<i>60,0%</i>	<i>40,0%</i>	
5. Do you agree with the proposed MGDD chapter 4.6 Securitisation of NPLs with government guarantees?	53	46	33	13	7
		<i>100%</i>	<i>71,7%</i>	<i>28,3%</i>	
6. Do you agree with the proposed MGDD chapter 4.7 Capital increases in Multilateral Development Banks (former chapter 4.6)?	53	50	46	4	3
		<i>100%</i>	<i>92,0%</i>	<i>8,0%</i>	
7. Do you agree with the proposed MGDD chapter 4.8 Recording of loans not expected to be fully repaid?	53	53	45	8	0
		<i>100%</i>	<i>84,9%</i>	<i>15,1%</i>	
8. Do you agree with the proposed MGDD chapter 6.5 EU Emission Trading System (ETS) allowances/ permits?	53	52	51	1	1
		<i>100%</i>	<i>98,1%</i>	<i>1,9%</i>	
9. Do you agree with the proposed MGDD chapter 7.4 Government guarantees?	53	53	45	8	0
		<i>100%</i>	<i>84,9%</i>	<i>15,1%</i>	

**Annex:** Short summary of comments received per chapter

1.6.2 Special Purpose Entities

*A few CMFB members put forward that the option provided for consolidation of non-resident SPEs with the controlling government may be against the guidance of ESA2010 and BPM6 that prescribe to record these as separate units and that the proposed option, if implemented, may negatively affect the consistency across macroeconomic statistics, and cross-country comparability. In addition, individual members suggested to: a) include comprehensive explanations and examples of T-accounts for all parties involved, b) include results of the work and discussions by the international statistical community, e.g. by the ECB WG External Statistics (WG ES), TF on Head Offices, Holding companies and Special Purpose Entities, and the IMF Task Force on SPEs, and c) amend quotation marks for all citations from the ESA 2010.*

3.5 Capital injections into foreign direct investment

*A member noted that pre-existing rules on capital injections for domestic units are generalised also to corporations resident in foreign countries and that in the new chapter capital injections in FDI corporations are treated in a technically efficient way that takes well into account the BPM rules.*

3.6 Impact on government accounts of transfer of pension obligations

*A proposal for the harmonisation of SNA and ESA 2010 was received from a member; it was suggested that the chapter in ESA 2010 would need a more comprehensive revision since it tries to address both the transfer of a single corporation's pension obligation and a pension reform*

4.5 Government interventions to support financial institutions: financial bailouts and defeasance

*A number of members put forward that the proposed changes may be incompatible with ESA 2010. More specifically, the comments consider that the draft chapter may be going beyond the ESA 2010 definition of bailout and defeasance, which refers specifically to financial crisis situations and "rescue from financial distress". A lack of consistency between financial institutions and non-financial corporations in the recording of support operations was put forward. Examples were provided, e.g. on the limitation in the recording of holding gains and loss for the financial assets acquired by government and on potential negative consequences of the "delayed revenue approach". The "reset nominal value" was also considered incompatible with the ESA 2010 by a few members. A member stated that the proposed changes may result in a misleading picture of size, timing and possibly counterparty of government transactions. Another member requested for additional guidance for the recording in national accounts during the wind-down process of a defeasance structure.*

4.6 Securitisation of NPLs with government guarantees

*A number of members expressed specific points of disagreement, e.g. that a) the national accounts rules on guarantees and guarantee fees should be used for recording of the NPL securitisation operations with government guarantees; b) the use of the metrics borrowed from the Capital Requirement Regulation is not appropriate as they are not designed for statistical use, c) these operations should not be considered in the context of financial defeasance and bailout, d) called for case-by-case consultations of the relevant schemes, instead of introduction of a new MGDD chapter.*

#### 4.7 Capital increases in Multilateral Development Banks

*A member pointed out that the proposed recording may be different in the ESS/EU countries compared to the countries in the rest of the world and that the time of recording of transfers to Multilateral Development Banks that provide mostly concessional loans is heterogeneous across Member States, in some instances being recorded in a time-lag spanning from 1 to 9 years. Another comment suggested adding a clarifying footnote on the rule set for callable capital for concessional loans in 4.6.2. table 1.*

#### 4.8 Recording of loans not expected to be fully repaid

*Some members expressed concern that the proposed recording would not be in line with ESA (delayed revenue approach, partitioning of loans, simplified approach in case of portfolio of loans when recoveries or losses exceed the expected losses) and more in general about recording expected losses (as opposed to actual losses) in the National Accounts.*

#### 6.5 EU Emission Trading System (ETS) allowances/ permits

*A few comments were made concerning the increasing role of non-residents in ETS transactions and the need to further clarify this role. It was also mentioned that the newly recommended time-adjusted cash recording (with a time lag of the tax vs ETS cash), which is already applied by many MSs, may lead to a reduction in sometimes excessive AF.89 payables, which resulted from the application of the previous recording methods.*

#### 7.4 Government guarantees.

*Some members expressed that the proposed recording may not be in line with ESA (delayed revenue approach, recording of contingent liabilities, extensive interpretation of the concept of standardised guarantees). Another remark advocated an improved guidance for the classification of government guarantees as one-off or as standardised guarantees.*